

Exhibit 3

Supplemental Affidavit of Dennis B. Trimble

Comparison of Loop and Switching Proxy Prices

with

Costs Developed Using the FCC's Prescribed Methodology

and with

Current Average Revenues per Line in California

**COMPARISON OF PROXY PRICES
WITH
GTE CALIFORNIA TELRIC AND REVENUES**

	TELRIC	FCC Proxy Prices	Current GTE Avg Rev per Line per Mo	
Local Loop	\$23.09	\$11.10	Local Service Price	\$21.53
Network Interface Device	\$2.54	\$2.54	Switched Access	\$6.28
Switching	\$10.72	\$4.00	100% TIC	\$1.65
75% TIC	n/a	\$1.24	Local Switching	\$4.12
			Vertical Services	\$1.92
			IntraLATA Toll	\$10.80
			Total Revenues	\$46.31
Per Line	\$36.35	\$18.88		

Notes: Switched access transport excluded from costs & revenues above.
Carrier Common Line Charge revenues excluded from all calculations.
Subscriber Line Charge revenues included in average rate per switched access line.
TIC = Transport Interconnection Charge

TAB C

IN THE UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

GTE Service Corporation, GTE Alaska)
Incorporated, GTE Arkansas Incorporated,)
GTE California Incorporated, GTE Florida)
Incorporated, GTE Midwest Incorporated,)
GTE South Incorporated, GTE Southwest)
Incorporated, GTE North Incorporated,)
GTE Northwest Incorporated, GTE Hawaiian)
Telephone Company Incorporated, GTE West)
Coast Incorporated, Contel of California, Inc.,)
Contel of Minnesota, Inc. and Contel of the)
South, Inc.)

Petitioners,)

v.)

Federal Communications Commission and)
United States of America,)

Respondents.)

Case No. _____
(DC Circuit Case No. 96-1319)
(Consolidated with Case No. 96-3321)

AFFIDAVIT OF ORVILLE D. FULP

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

Orville D. Fulp, being duly sworn according to law, states as follows:

1. My name is Orville D. Fulp and I am Director-Network Access Services for GTE Telephone Operations. In that capacity I am responsible for the development, introduction, and management of GTE network access products and services in the interexchange carrier market segment.

2. I have over 10 years experience with GTE. During this time I have held various positions, almost all related to pricing, regulatory, and product management functions.

3. I have reviewed the Federal Communications Commission's ("FCC") *First Report and Order* in CC Docket No. 96-98 which was issued on August 8, 1996. Among other things, the *First Report and Order* concludes (at ¶ 411) that end office switching should be available on an unbundled basis due to the FCC's perception of the difficulties that new market entrants face in obtaining their own capability, *i.e.* so-called "bottleneck" capabilities. This order also establishes default proxy ceiling prices that state regulatory agencies must adopt during arbitration proceedings for unbundled network elements unless or until a state regulatory agency has completed its review of studies that comport to the FCC's prescribed costing methodology.

4. The purpose of this affidavit is: (i) to describe the widespread availability of facilities that shows that the FCC's conclusion regarding the availability of end office switching is not borne out in fact; and (ii) to show the rapidity with which GTE's existing customers will be lost due to the combination of the existing capabilities of competing local exchange service providers ("CLECs") and the uneconomic prices the FCC mandates be used for unbundled network elements.

5. GTE will suffer irreparable harm because the proxy prices mandated by the *First Report and Order* provide CLECs with artificially low and uneconomic cost structures that allow them to undercut GTE's prices at will and win large numbers of customers. The primary factor contributing to this loss of customers will not be the efficiency or resourcefulness of these firms, but rather their artificial cost advantage. Further, GTE cannot respond with price reductions of its own for the retail services that equate to a combination of unbundled elements,

because the *First Report and Order* also requires (at ¶ 932) GTE to resell any retail offering at a huge discount off the retail price. This circular process allows competitors to choose the lower of a combination of unbundled element prices, or the wholesale (resale) price. This means that GTE can never compete on the basis of price since the below-cost proxy price serves as the driver for the entire process. Thus, the practical effect of the mandatory use of the FCC's below-cost proxy prices is that GTE must subsidize the market entry of its competitors.

6. There are many existing CLECs that are already in place and poised to take advantage of the FCC's below-cost proxy prices. As shown in Exhibit 1 attached to this affidavit, there are 289 CLECs with state regulatory approval to offer local exchange service in 20 states where GTE operates, and 184 other CLECs in 26 states that are in various stages of obtaining permission from state regulatory agencies. Exhibit 1 also shows that there are 34 existing colocation arrangements in place in GTE central offices, and another 46 colocation arrangements in the process of construction. A colocation arrangement allows a CLEC instant access to any customer served from that central office because the CLEC can connect its facilities directly to the incumbent local exchange carrier ("ILEC") unbundled loop facilities that link a customer to the network. Furthermore, ILECs are required by the *First Report and Order* (at ¶ 565, 590) to provide colocation arrangements, including a new form of colocation that combines only unbundled ILEC facilities to create a colocation arrangement. Thus, colocation arrangements will quickly become more commonplace because CLECs do not need to construct any network facilities to obtain colocation.

7. End office switching is neither a difficult function to replicate, nor is it prohibitively expensive. In fact, many new local service market entrants currently have end

office switching capability, either through self-supply or from other new entrants. Exhibit 2 shows there are 27 end office switches owned by CLECs that are currently in place within or near GTE serving areas. This list is in no way all inclusive, but shows only known, publicly announced switches. Further, Exhibit 2 contains other recent announcements published in industry and other periodicals that reveal plans regarding the installation of additional switches. These facts show that end office switching is readily available to any CLEC. This conclusion has been recognized by the Florida Public Service Commission:

[Switch] ports may not be in high demand from the LECs and [we] believe that they may be more widely available from alternative sources. Many ALECs own their switches, can provide their own ports, and can resell them to other ALECs as well.¹

8. There are many locations, particularly in urban areas with high volume business customers, where CLECs have been particularly active in constructing their own facilities. Exhibit 3 consists of two maps that show one of many GTE service areas where CLECs have installed end office switching capability, and/or fiber ring loop facilities, and/or have obtained colocation from GTE. In a Part 69 Waiver filing made with the FCC, GTE has demonstrated that, in California alone, less than one percent of customers generate greater than 22% of the minutes of use.² Thus, new entrants can and will be targeting selected high volume

1 In Re: Resolution of Petition(s) to Establish Nondiscriminatory Rates, Terms, and Conditions for Resale Involving Local Exchange Companies and Alternative Local Exchange Companies Pursuant to Section 364.161, F. S., Florida Public Service Commission Docket No. 950984-TP, Order No. PSC-96-0811-FOF-TP, Issued June 24, 1996, at 18.

2 GTE Telephone Operating Companies Petition for Waiver of Part 69 of the Commission's Rules to Geographically Deaverage Switched Access Services, filed November 27, 1995, at Exhibit 2.

customers, and will be able to immediately provide service using their own facilities, or a combination of their own and GTE network elements.

9. CLECs with existing switching facilities and associated infrastructure support systems (e.g., ordering, billing) are particularly well positioned because they can quickly add new customers by simply connecting ILEC loops (possibly through the use of their own transport or ILEC transport available from tariffs today) to their existing switch. However, because the *First Report and Order* permits (at ¶410) CLECs without switching facilities to use unbundled ILEC switching, those firms can also reach large numbers of customers by establishing their business systems based upon use of ILEC facilities. This step is not an insurmountable obstacle, but only reflects the normal start-up interval that any new market entrant will experience, whether the market involves telecommunications or other services. Thus, existing or new CLECs can quickly reach a very substantial number of customers using either their own facilities, or a combination of their facilities and those of an ILEC or another CLEC, or through exclusive use of ILEC network elements.

10. These facts set forth in paragraphs 6-9 above show that: (i) CLECs are already present in large numbers and offering service today; (ii) many other CLECs are poised to enter the market; (iii) CLECs have extensive existing switching capability and loop facilities; (iv) CLECs are actively constructing additional facilities; and (v) CLECs can quickly capture customers by using only ILEC unbundled network elements.

11. Section 252 of the Telecommunications Act of 1996 ("1996 Act") establishes a process wherein CLECs and ILECs negotiate arrangements to interconnect their networks. If these negotiations cannot reach agreement, a schedule for arbitration by the state regulatory

agency is established. *See* §252(b). This schedule is keyed to the date of a request for interconnection, and proceeds separately and independently from the FCC's activities. The schedule established by the 1996 Act calls for interconnection agreements to be in place no later than ten months after a request for interconnection is made. *See* §§ 252(b) and (e)(4). As the McLeod Affidavit (at Exhibit 3) attached to the Joint Motion of GTE Corporation and the Southern New England Telephone Company for Stay Pending Judicial Review filed with the FCC ("*GTE/SNET FCC Motion*") demonstrates, GTE is currently engaged in 23 arbitration proceedings in 20 states. All of these arbitrations must be completed no later than December 12, 1996, and the resulting agreements will become effective no later than January 12, 1997. Thus, on or before that date, a large number of CLECs will have the ability to use GTE's unbundled network elements to provide service to customers using the price level established in the arbitration process.

12. The FCC's *First Report and Order* mandates that a state regulatory agency adopt the proxy ceiling prices for unbundled network elements during the arbitration process unless that state agency has completed its review of cost studies that comport with the FCC's costing methodology. CLECs such as AT&T are already arguing that because the FCC's costing methodology is brand new, and because the state regulatory agencies have not completed studies consistent with the FCC's standards, the state regulatory agencies should simply implement the FCC's proxy prices.

13. As documented by the Supplemental Trimble Affidavit (at ¶¶ 9-10, Exhibit 2), the proxy prices established by the FCC for unbundled switching are far below GTE's forward-looking cost to provide that element. The composite cost per minute (both usage and

non-usage based costs) that GTE has calculated using the FCC's costing methodology, even without considering every feature and function of the switches, averages three-and-a-half times the FCC's ceiling price of \$0.004 per minute. See Supplemental Trimble Affidavit at ¶ 11, Exhibit 2. Further, the loop cost GTE has calculated using the FCC's costing methodology averages 50 percent larger than the FCC's loop price ceiling. See Supplemental Trimble Affidavit at ¶ 8, Exhibit 1. Similarly, the Johnson Affidavit (at Attachment 1) attached to the *GTE/SNET FCC Motion* shows that the proxy prices established by the FCC for unbundled loops lie from 13% to 70% below the actual cost, with most falling in the 30 to 40% range.

14. In summary, CLECs exist today in large numbers. Many have end office switching and loop facilities of their own. Many have colocation arrangements that allow virtually instant access to GTE's customer base, and the *First Report and Order* creates a new form of colocation that will greatly accelerate the proliferation of additional colocation arrangements. A large number of arbitration proceedings will be completed before mid-January, 1997. Parties in those proceedings have urged adoption of the FCC's proxy prices. The availability of unbundled network elements, priced at the FCC's below-cost proxy prices, will spur CLECs to purchase those elements and use them either on a stand-alone basis or in combination with their own capabilities, to quickly attract large numbers of customers. GTE will immediately lose a large number of customers because of the artificial, uneconomic pricing advantage bestowed by the *First Report and Order*.

The affiant says nothing further.

Orville D. Fulp
Orville D. Fulp

Subscribed and sworn to
before me this 9th day of
September, 1996.

Carol Waller
Notary Public



Exhibit 1

Affidavit of Orville D. Fulp

State-by-State Summary

of

CLECs and Colocation Arrangements,

CLECs AND COLOCATION ARRANGEMENTS

STATE	CLECs with Regulatory Approval	CLECs Seeking Regulatory Approval	Existing Colocation Arrangements	In-Progress Colocation Arrangements
Arkansas	0	8	0	0
Alabama	6	3	0	0
Arizona	0	5	0	0
California	93	3	7	10
Florida	38	8	7	21
Hawaii	27	15	4	0
Iowa	2	3	0	0
Idaho	0	2	0	0
Illinois	21	21	1	0
Indiana	0	9	0	0
Kentucky	0	0	1	0
Michigan	6	3	0	0
Minnesota	8	3	0	0
Missouri	1	15	1	1
North Carolina	5	10	4	0
Nebraska	0	7	0	0
New Mexico	0	1	0	0
Nevada	2	7	0	0
Ohio	4	12	1	0
Oklahoma	1	7	1	0
Oregon	12	4	1	2
Pennsylvania	5	4	1	0
South Carolina	1	6	0	0
Texas	22	21	3	10
Virginia	4	4	0	0
Washington	22	1	2	2
Wisconsin	9	2	0	0
Total	289	184	34	46

Exhibit 2

Affidavit of Orville D. Fulp

List of End Office Switches Known to Exist

In or Near GTE service areas.

END OFFICE SWITCHES IN OR NEAR GTE SERVICE AREAS

State	Company	Switch Location	Switch Type	Line Size	Serving *
CA	MFS	LA	Ericsson	NA	Self
	TCG	LA	5ESS	NA	Self
	ICG	LA	5ESS	NA	Self
	Continental Cable	West LA	5ESS	6K	Self
	ICG	Irvine	5ESS	NA	Self
	PLI	Riverside (Planned)	DMS-500	60K	Self
	MCI Metro	LA (Planned)	?	NA	Self
HI	Oceanic	Puuloa, Ohau (Planned)	5ESS	NA	Self
	GST	Honolulu, HI (Planned)	DMS-500	NA	Self
OR	ELI	Portland	DMS 100/200	NA	Self
WA	ELI	Seattle	DMS 100/200	NA	Self
	ELI	Kirkland (Remote unit)	DMS	NA	Self
	TCG	Seattle	5ESS	NA	Self
	MFS	Kirkland	Ericsson	NA	Self
	MCIMetro	Seattle	Siemens	NA	Self
	MCIMetro	Kent	DMS-250	NA	Self
	USWest	Lynnwood (Remote unit)	DMS	NA	Self
FL	Intermedia Comm	Orlando	DMS-500	30K	Self
	Intermedia Comm	Tampa	DMS-500	10K	Self, ALECS
	AT&T	Tampa		50K	Self
	AT&T	Tampa (Tandem)		50K	Self
	AT&T	St. Pete		50K	Self
	Time Warner	Tampa # 1	5ESS	30K	Self, ALECS
	Time Warner	Tampa # 2	5ESS	30K	Self, ALECS
	Time Warner	Clearwater	5ESS	30K	Self, ALECS
	MCI	Orlando		40K	Self, ALECS
IL	AT&T	Chicago	5ESS	NA	Self, ALECS
NC	Time Warner	Durham (Tandem)		40K	Self, ALECS
	US LEC	Raleigh		10K	Self
	MCI Metro	Durham		NA	Self
VA	Cox Comm	Virginia Beach		NA	Self, ALECS

* These switches are capable of serving other providers and may well be utilized to do so in the future.

ANNOUNCEMENTS REVEALING PLANS FOR ADDITIONAL SWITCHES

"MCI said Tuesday it plans to offer local phone service to businesses in Tampa Bay and 24 other metropolitan areas over its own fiber-optic network by early 1997 -- if regulatory obstacles can be cleared in time.

"MCI said it expects to install a local switch to handle Tampa Bay phone service by the first quarter of 1997. But until state regulators iron out the agreements MCI needs with GTE -- Tampa Bay's current local exchange carrier -- to connect local phone calls to GTE's local network, local MCI service must stay on hold."

*** St. Petersburg Times August 28, 1996**

"Bill Stake, Vice President in AT&T's Atlantic States Region, said AT&T is moving as fast as it can to offer local services before other would-be competitors crowd the market. MCI Communications Corp., Sprint Corp. And Cox Communications Inc, are among those also planning to provide local service in Virginia. Dozens, perhaps hundreds, of other lesser-known companies could follow, operating as resellers."

*** The Virginia Pilot August 28, 1996**

"Similarly, AT&T has made arrangements with alternative access providers in Charlotte and eight other Carolinas cities that will enable it to begin offering local telephone service without using lines owned by local telephone companies."

"Intermedia has digital fiber-optic networks in major markets in the Southeast -- including Raleigh-Durham. It offers major long-distance carriers an alternative to local telephone companies for connecting with customers."

*** The Charlotte Observer August 24, 1996**

"In the former, Cox Communications Inc., is expected to be one of Hampton Roads' leading new contestants. But it won't be doing it alone in the local phone business. Cox and several other large cable operators have teamed up with Sprint Corp., to develop a nationwide strategy for offering a range of phone services."

*** The Virginia-Pilot January 23, 1996**

"The "full service" network is back. Cox Communications Inc., plans to build a cable network in Oklahoma City that will deliver telephone, digital video and Internet data services to homes next year."

*** Inter@ctive Week April 25, 1996**

"Intermedia Communications Inc. (Nasdaq/NM:ICIX), a rapidly growing provider of integrated telecommunications services, today announced a two-year contract to provide Cable & Wireless,

Inc. (CWI), the nation's largest long distance company exclusively serving businesses, with switched access termination and origination for interstate long-distance services.

The agreement, potentially covering up to 10 LATAs (Local Access Transport Areas), will be implemented initially in the Miami LATA beginning in November of this year.

Intermedia will rely on its DMS-500 switching platform and recently negotiated interconnection agreements with BellSouth, GTE and Sprint/United to provide seamless statewide service for CWI. Intermedia operates advanced, digital switching centers in Miami, Tampa and Orlando with an additional switching center soon to become operational in Jacksonville."

* Business Wire August 27, 1996

"MCI currently has competitive local exchange facilities in Atlanta, Baltimore, Boston, Chicago, Cleveland, Detroit, Hartford, Milwaukee, New York, Philadelphia, Pittsburgh, and Seattle.

MCI also will spend nearly \$1 billion to build networks in 13 other cities by year-end: Portland; Los Angeles; San Diego; and San Francisco; Miami; Orlando; and Tampa; Minneapolis; Denver; Memphis; Newark, N.J.; Phoenix; and Raleigh, N.C.

MCI will resell BellSouth Telecommunications Corp.'s business and residential services in Orlando and Tampa, Fla; Memphis, Tenn; and Raleigh, N.C.

MCI will resell Pacific Bell's and GTE-California's service to businesses and consumers in Los Angeles."

* Telecommunications Reports Volume 62 Number 35 September 2, 1996

"AT&T will install 5ESS digital local exchange switched at existing sites in downtown Chicago and at nearby Oak Brook, Ill., and Rolling Meadows, Ill. It also plans to construct five fiber optic transmission paths spanning about 350 route-miles. Construction of the network will be completed by the third quarter of next year, AT&T said."

* Telecommunications Report Volume 62 Number 30 July 29, 1996

"Eli has already invested some \$35 million. In addition to the switch investment, Eli will have installed 150 fiber miles throughout Salt Lake City, Provo, Utah and Ogden, Utah -- more than any other new industry arrival."

* Business Wire August 21, 1996

"As of December 31, 1995, Intermedia had 504 route miles and 17,128 fiber miles in place, increases of 33% and 53%. In the fourth quarter, 27 buildings were connected to Intermedia's fiber networks, bringing the total number of buildings to 380 from 353 at September 30, 1995, and 293 at year-end 1994. The number of CAP and enhanced data customers increased 11% in the fourth quarter to 509 from 458 at September 30, 1995, and grew 47% from 347 at year-end 1994.

Exhibit 3

Affidavit of Orville D. Fulp

Maps of GTE's Los Angeles (CA)

Serving Area

Showing Locations of

GTE and Known CLEC End Office Switches,

Colocation Arrangements, and

Known CLEC Fiber Ring Loop Networks.

For the quarter, enhanced data switches grew to 31 from 15, a 107% increase; enhanced data nodes (customer locations) increased 23% to 2,286 from 1,860; and enhanced data cities served grew to over 600 from 509, an 18% increase over the third quarter 1995."

*Business Wire February 28, 1996

"Brooks Fiber Properties (Nasdaq: BFPT), a nationwide provider of competitive local telecommunications services, today announced the lighting of new metropolitan area fiber-optic networks in four western cities initiating service on more than 133 route miles and 12,800 fiber miles. The new networks include: Albuquerque, New Mexico; Tucson, Arizona; Bakersfield and Fresno, California.

* PRNewswire June 14, 1996

MFS...notified 21 local exchange carriers of its intention to enter into collocation agreements in specific MFS cities and has dedicated approximately 100 employees to the task of negotiating and implementing such agreements. The company plans to interconnect at LEC central offices in all its network cities and plans to deploy approximately 25 additional local switches over the 25 previously planned."

* M2 PRESSWIRE June 11, 1996

"AT&T today announced agreements with five companies allowing business customers in 70 cities to connect with AT&T's network for some services as an alternative to access provided by local phone companies. Terms of the agreements were not disclosed.

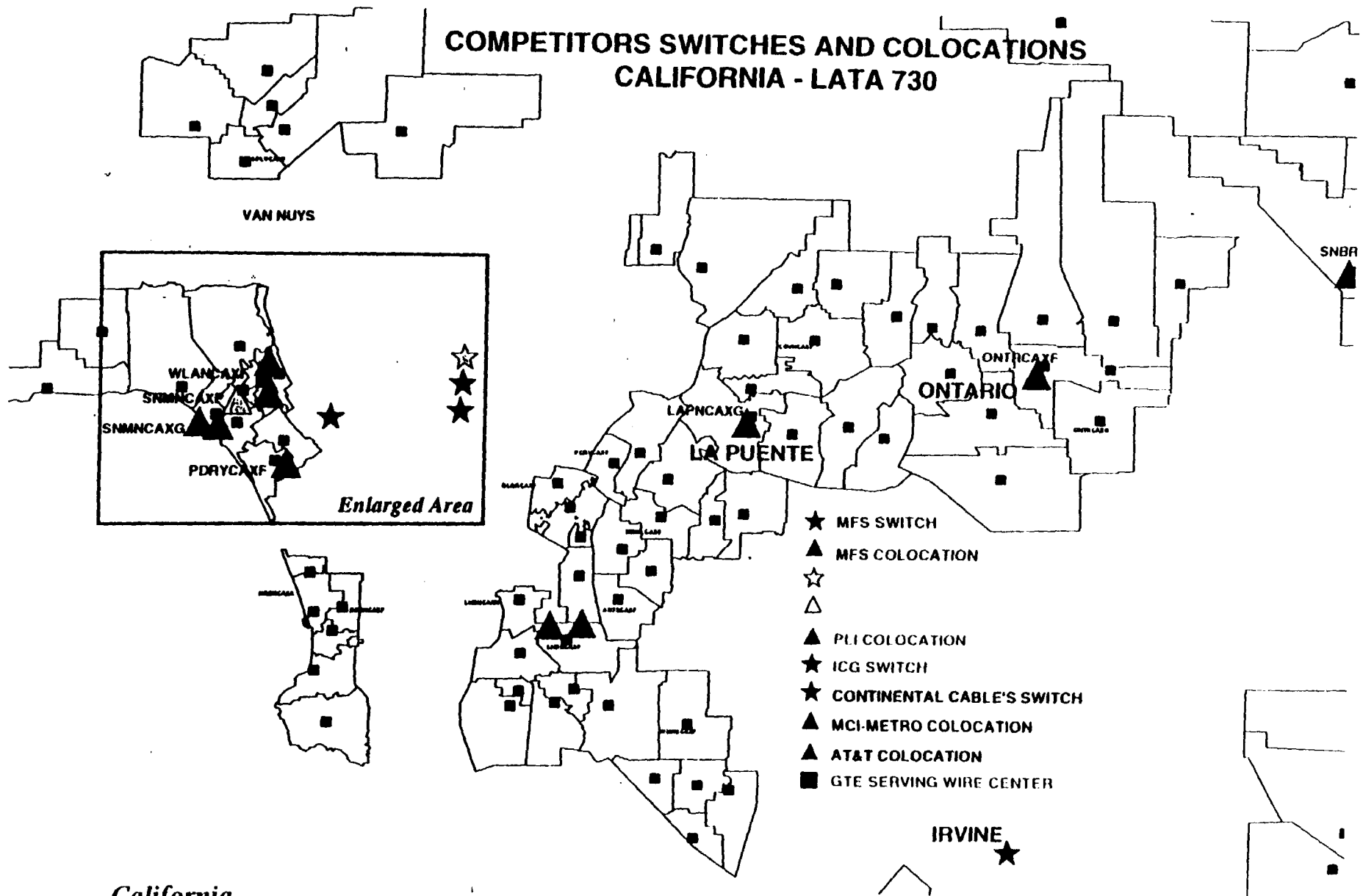
The alternative access providers are: American Communications Services, Inc., Annapolis, Md.; Brooks Fiber Properties, St. Louis; Hyperion Telecommunications, Coudersport, Pa.; IntelCom Group, Denver; and Time Warner Communications, Denver.

The Time Warner Communications agreement includes dedicated and switched local phone service and switched access for business services. American Communications Services, Inc., Brooks Fiber Properties, Hyperion Telecommunications and IntelCom Group will supply dedicated connections for businesses, and AT&T is discussing terms for an agreement with them that would provide switched local phone service and switched access service. None of the agreements involves an equity investment from AT&T.

These agreements demonstrate that AT&T will not limit itself to reselling local service obtained from monopoly phone companies, we'll continue to pursue arrangements with other companies that provide access to customer and also build network facilities on a selective basis to offer local service."

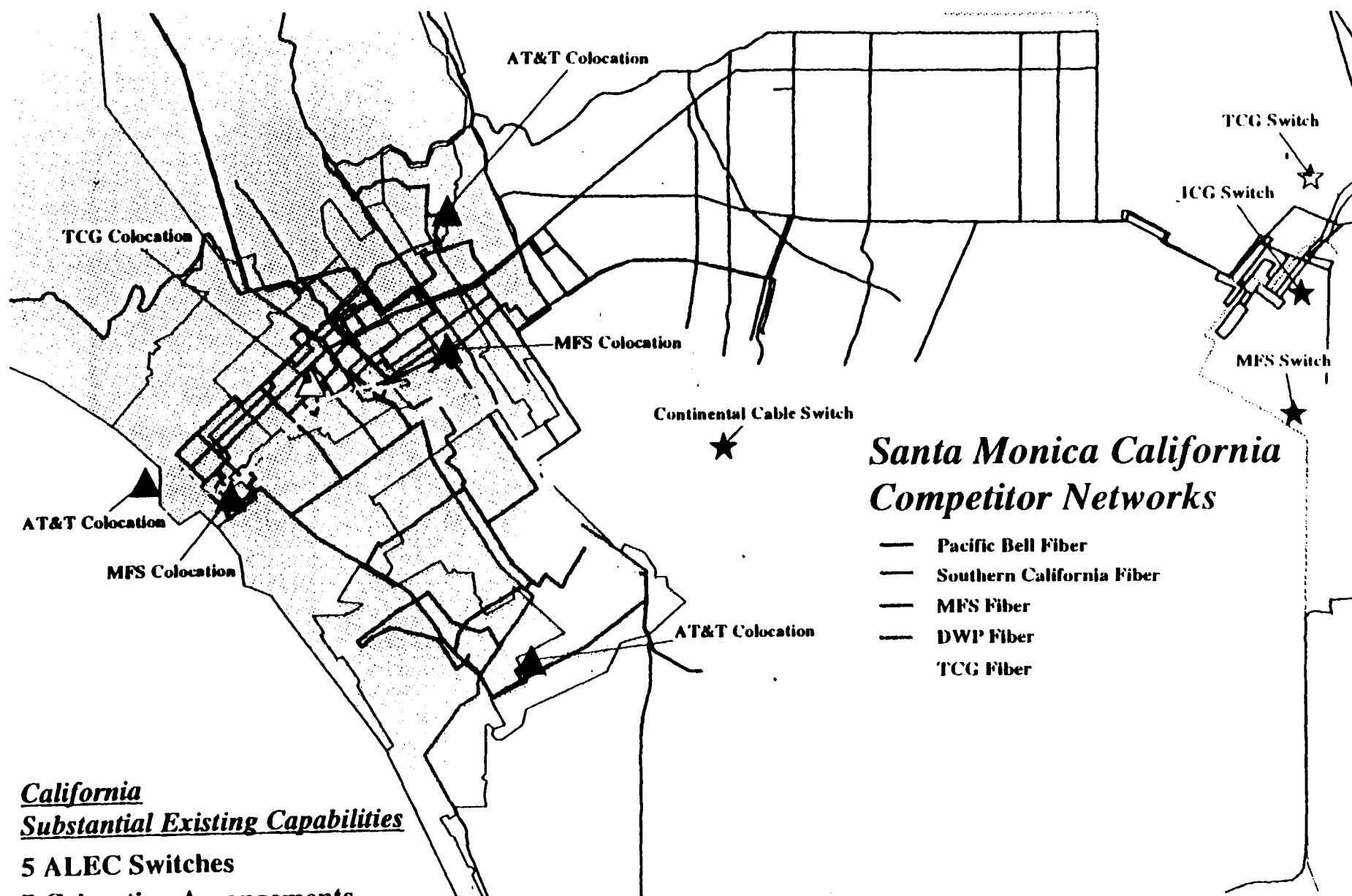
*AT&T Press Release April 11, 1996

COMPETITORS SWITCHES AND COLOCATIONS CALIFORNIA - LATA 730



California
Substantial Existing Capabilities

5 ALEC Switches
7 Co-location arrangements



California

Substantial Existing Capabilities

5 ALEC Switches

7 Colocation Arrangements

93 Authorized CLECs

1 Customer Concentration Readily Addressable

TAB D

IN THE UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

GTE Service Corporation, GTE Alaska
Incorporated, GTE Arkansas Incorporated,
GTE California Incorporated, GTE Florida
Incorporated, GTE Midwest Incorporated,
GTE South Incorporated, GTE Southwest
Incorporated, GTE North Incorporated,
GTE Northwest Incorporated, GTE Hawaiian
Telephone Company Incorporated, GTE West
Coast Incorporated, Contel of California, Inc.,
Contel of Minnesota, Inc. and Contel of the
South, Inc.,

Petitioners,

v.

Federal Communications Commission and
United States of America,

Respondents.

Case No. _____

(DC Circuit Case No. 96-1319)

(Consolidated with Case
No. 96-3321)

AFFIDAVIT OF DONALD M. PERRY

STATE OF WASHINGTON §
COUNTY OF SNOHOMISH §

Donald M. Perry, being duly sworn according to law, states as follows:

1. My name is Donald M. Perry and I am the Manager of Forecast Methods for GTE Telephone Operations("GTE" or "the Company"). In that capacity I am responsible for the development of new methods for forecasting the demand for GTE's three major service categories: customer lines, usage, and new products; conducting demand studies; developing and

analyzing market research studies for local exchange services and new products; and providing analyses for rate filings.

2. I have over 15 years experience in demand forecasting and analysis, survey design and sampling, and market research analysis. I have over 8 years experience with GTE. During this time I have held various positions, all related to demand analysis, forecasting, survey design and analysis. I received a B.S. in Oceanography and Chemistry from the University of Washington in 1972. In 1980 I received a B.A. in Economics, and in 1982 an M.A. in Economics from the University of Washington. I have successfully completed field exams in micro economics, econometrics, and natural resource economics and completed my general examination for the Ph.D.

3. The purpose of this affidavit is to discuss the factors affecting consumer choice of a service supplier, and the costs and difficulty involved in winning customers back from a competitor.

4. The Trimble Affidavit establishes that the methodology used by the FCC for establishing the proxy price ceilings for unbundled loops and local switching results in prices that are significantly lower than the Company's true costs of providing service.

5. The Fulp Affidavit finds that: (1) the competing local exchange service providers ("CLECs") will have artificially low cost structures because of the FCC's mandatory proxy prices, (2) as a result, this will allow the CLECs to price their services below GTE's cost-based prices, and (3) that the CLECs have substantial existing plant capability to ensure that they can

attract customers rapidly.

6. A nation-wide survey of over 25,000 residential customers conducted for PNR Associates demonstrates that one of most important factors affecting consumer demand for local exchange service is the relative price for the service, *e.g.*, incumbent Local Exchange Carriers (ILECs) relative to the CLECs. The survey also shows that the ILECs have little incumbency advantage and that the market for local exchange service will be highly competitive. This survey, and other published surveys, such as Morgan Stanley and Yankee Group, indicate market share loss could range over time from twenty to forty percent for ILECs in their own franchised territory exclusive of ILEC opportunities to compete with each other.

7. This study also shows that consumer demand is highly sensitive to price and that the ILECs may lose at least an additional 15 percentage points of customer market share if one or more competitors undercut GTE's price by 10%. This is a conservative estimate of the revenue impact because the FCC's proxy price ceilings would provide all of the CLECs with this capability and because a small percentage of customers account for a large proportion of the revenues, revenue share losses are likely to be greater.

8. Once lost, market share can only partially be recovered and only at great cost. In the MCI Friends & Family/AT&T True Value battle, AT&T spent \$870 million dollars for cash incentives (Advertising Age Jan 30, 1995, pp. 3-4) to regain just 1% of market share, at the rate of \$51.18 per customer. Given that AT&T and MCI were fighting only for the long distance portion of the customer's bill, then GTE would need to spend at least that amount per customer to regain a portion of the local market share lost to artificially low prices.